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Registered - Return Receipt Requested

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Attention:

Subject : (Contract No. AD-85
Amendment No. 3

Gentlemen:

Delete sub-section 2(a) of the Schedule of the subject contract in its entirety and substitute the following:

"(a) Overhead. Final allocation of indirect expenses applicable to task orders issued under this contract shall be determined by applying negotiated overhead rates to agreed upon bases, as specified below.

1. The rates and bases used hereunder shall be the result of negotiations between the Contractor and the Government upon the basis of the actual cost experience of the Contractor for the period covered. As soon as possible but not later than 90 days after the expiration of each overhead period to be recognized herein, the Contractor shall submit to the Contracting Officer a proposed final overhead rate or rates for that period, together with supporting cost data. When the results of such negotiations in connection with another contract between the Contractor and the Government are available, such results may be adopted for use in this Contract by agreement of the parties hereto. The Contractor agrees to inform the Contracting Officer promptly of such results and to make the following certification with respect thereto:

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NOTICE

This material contains information affecting the national defense of the United States within the meaning of the espionage laws, Title 18, U.S.C., Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law

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"I certify that no item of costs claimed as a direct charge under the terms of this contract has been included as an element of expense in establishing the accompanying overhead rates."

If such results are unavailable, or if agreement cannot be reached as to their use in this Contract, the parties hereto agree to negotiate to determine rates and bases for special application to this Contract. In the latter event, the Contractor agrees to make available to the Contracting Officer all pertinent cost records and to facilitate any audit of such records which may be required by the Contracting Officer. Ordinarily the Contractor's customary accounting periods and cost centers shall be used in the allocation of indirect costs hereunder, but other periods and centers may be used upon agreement of the parties.

ii. Allowability of costs and acceptability of cost allocation methods shall be determined in accordance with Armed Services Procurement Regulations Section XV, Part 2, as in effect on the date of this Contract.

iii. The negotiation results adopted for this Contract, pursuant to Subparagraph i above, shall be set forth in an amendment hereto and shall become effective for this Contract when so set forth. Such amendment shall specify the agreed final rates, the bases to which the rates apply, the periods for which the rates apply, and if necessary, the specific task order or orders to which the rates apply. The negotiation results thus far made applicable to this Contract, by incorporation herein, are set out in the Schedule Annex appended and made a part hereof.

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iv. Pending establishment of final overhead rates for any period, the Contractor shall be reimbursed at billing rates which have been approved by the Contracting Officer, subject to appropriate adjustment when the final rates for that period are established. Billing rates need not be specified in the Contract and to prevent substantial over or under payment may, at the request of either party, be revised by mutual agreement either retroactively or prospectively at any time. However, no billing rate shall be used for the purposes of this Contract until approved by the Contracting Officer in the manner and form prescribed by him. Moreover, each billing rate so approved by the Contracting Officer shall remain in effect for the purpose of this Contract until a final rate covering the same period and cost center has been determined and incorporated herein, in accordance with subparagraphs i and iii above, or until a changed billing rate is approved by the Contracting Officer in accordance with the provisions of this subparagraph iv. Whenever a new task order is negotiated under this Contract, the billing rate or rates effective hereunder at the time the estimated cost of such task order is submitted by the Contractor shall be used in determining the amount of indirect charges to be included in such estimated cost.

v. Any failure by the parties to agree on any billing rate or final rate under this clause shall be considered a dispute concerning a question of fact for decision by the Contracting Officer within the meaning of the clause of this Contract titled "Disputes."

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SCHEDULE ANNEXBasis for Allocation of Indirect Costs to this ContractPeriod 30 May 1955 through 30 June 1956

<u>Cost Center</u>	<u>Rate</u>	<u>Base</u>
Engineering Overhead	53%	of direct engineering labor dollars
Manufacturing Overhead	152%	of direct manufacturing labor dollars
General and Administrative Expense	9.2%	of total costs, exclusive of G & A expense

Period 1 July 1956 through 31 December 1956

Engineering	76.47%	of direct engineering labor dollars
Manufacturing	155.11%	of direct manufacturing labor dollars
General and Administrative Expense	5.43%	of cost of goods sold, exclusive of G & A expense

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If the foregoing is acceptable, please indicate your concurrence in the space provided on this and two of the enclosed copies of this Amendment and return them to us as promptly as possible.

Very truly yours,

(S)

[Redacted Signature]

Contracting Officer

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ACKNOWLEDGED AND ACCEPTED THIS

19th DAY OF December 1957

[Redacted Signature]

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BY (S)

TITLE

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